

Message Text

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OMB-01 L-03 H-03 NSC-07 SS-20 STR-08 FEA-02 AGR-20

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BONN AND LONDON FOR FLANIGAN AND PARTY

E.O. 11652: N/A

TAGS: EFIN, SZ

SUBJECT: SWISS VIEWS ON OECD INVESTMENT EXERCISE

REF: STATE 89852

1. SUMMARY. SWISS CONTINUE TO SUPPORT OECD INVESTMENT
WORK AND WOULD LIKE SEE OECD MINISTERIAL ENDORSE WORK
BEING DONE BY INVESTMENT EXPOERTS. HOWEVER, SWISS WOULD
PREFER NOT REPEAT NOT PUSH THOSE COUNTRIES WHICH ARE
RELUCTANT MOVE AHEAD ON DIRECT INVESTMENT ISSUES AT
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THIS TIME. THUS SWISS ADVOCATE INSTEAD CONTINUED

MEASURED PACE FOR WORK. END SUMMARY.

2. EMBOFF CALLED MAY 6 ON LEVY (OFFICE DIRECTOR FOR OECD AFFAIRS IN DIVISION OF COMMERCE AND SWISS PARTICIPANT IN XCSS INVESTMENT EXPERTS MEETINGS) AND PRESENTED INFORMAL TALKING POINTS PAPER BASED ON PARA 10 REFTEL. AFTER CONSULTING WITH AMBASSADOR JOLLES AND OTHER HIGH LEVEL SWISS OFFICIALS CONCERNED ECONOMIC AND FINANCIAL MATTERS, LEVY RESPONDED MAY 7 ALONG LINES PARAS 3-6 BELOW. JOLLES WILL UNDOUBTEDLY ELABORATE THESE IDEAS FURTHER IN MEETING WE UNDERSTAND HAS BEEN ARRANGED AT OECD MAY 9 WITH MEMBERS FLANIGAN PARTY AND VAN LZVENNEP.

3. FOLLOWING SWISS VIEWS ARE KEYED TO PARA 10 AND SUB-PARAS REFTEL:

A. SWISS CONTINUE SUPPORT POSITIVE AND LIBERAL APPROACH TO DIRECT INVESTMENT REFORM. THEY WELCOMED OPPORTUNITY EXCHANGE VIEWS WITH USG PRIOR OECD MINISTERIAL. SEE SUBPARA C BELOW RE QUESTION OF HANDLING INVESTMENT ISSUE AT MINISTERIAL.

B. GOS IS SATISFIED WITH APPROACH TAKEN THUS FAR BY OECD IN INVESTMENT AREA. SWISS ALSO FEEL THAT FOUR MEETINGS OF EXPERTS AND XCSS DISCUSSIONS HAVE HELPED CLARIFY TERMINOLOGY AND CONCEPTUAL ASPECTS. HOWEVER, WORK THUS FAR HAS BEEN VERY THEORETICAL AND REAL ISSUES OF SUBSTANCE HAVE LARGELY BEEN SIDESTEPED. SWISS CONTINUE TO SUPPORT TWO-STAGE APPROACH TO FURTHER WORK BEGINNING WITH VERY GENERAL GUIDELINES AND CONSULTATION PROCEDURES WHICH MIGHT RESULT IN ENHANCED PRACTICAL KNOWLEDGE OF INVESTMENT PROBLEMS. AT LATER, SECOND STAGE THEY BELIEVE EXPERIENCE GAINED IN FIRST STAGE MIGHT PERMIT MORE SPECIFIC EFFORT WHICH WOULD HAVE MORE CONCRETE APPLICABILITY. LEVY RECALLED THAT UNDER SECRETARY CASEY HAD MADE SIMILAR SUGGESTION AT NOVEMBER 1973 XIFK MEETING.

C. RE PROCEDURAL ASPECTS, SWISS WOULD LIKE TO SEE SECRETARY GENERAL PRESENT ALTERNATIVE PROPOSALS RE NATIONAL LIMITED OFFICIAL USE

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TREATMENT AND INCENTIVES/DISINCENTIVES AT 8TH XCSS SESSION FOR POLITICAL DECISION BY SENIOR OFFICIALS. THEY WOULD PREFER NOT REPEAT NOT TO HAVE MINISTERS DISCUSS INVESTMENT ISSUES IN ANY DETAIL OR CONSIDER POSSIBLE FUTURE CONSULTATION FRAMEWORK UNTIL XCSS HAS HAD OPPORTUNITY DEAL WITH SPECIFIC SECRETARIAT PROPOSALS. SWISS WOULD PREFER INSTEAD THAT MINISTERS AT MAY 25-30 MEETING TAKE NOTE OF PROGRESS MADE AND EXPRESS HOPE THAT

WORK WILL GO FORWARD EXPEDITIOUSLY, PRESUMABLY ON BASIS INCLUSION BY SECRETARY GENERAL IN HIS REPORT OF XCSS INVESTMENT WORK. THEY ALSO NOTE THAT WITH PROPOSED CURRENT ACCOUNT STANDSTILL DECLARATION, DEVELOPMENT ISSUES, AND ENERGY MATTERS MINISTERS WILL BE FULLY OCCUPIED FOR SHORT TWO-DAY SESSION. IN SUM, SWISS WOULD LIKE SEE MINISTERIAL SESSION GIVE NEW IMPETUS TO INVESTMENT WORK BUT ONLY IN VERY GENERAL TERMS, THEREBY ALLOWING XCSS AND EXPERTS TO CONTINUE THEIR WORK WITHOUT ADDITIONAL BURDENS OR COMPLICATIONS. (WE UNDERSTAND SWISS REP AT MINISTERIAL WILL BE ERNST BRUGGER IN HIS CAPACITY AS MINISTER FOR PUBLIC ECONOMY.)

D. LEVY NOTED THAT SWISS HAVE ALWAYS BEEN HESITANT ABOUT MULTI-NATIONAL ENTERPRISE WORK PROGRAM BUT THEY FEEL EXERCISE HAS BEEN GENERALLY USEFUL AS EFFORT TO DEFINE PROBLEM, CLARIFY ISSUES, AND DETERMINE FACTS. THEY ARE SATISFIED WITH IDEA FOR VARIOUS WORKING PARTIES TO REPORT TO COUNCIL AT END OF JULY AND FOR SECRETARY GENERAL TO PRESENT PROPOSALS IN FALL FOR FURTHER ACTION EITHER BY COUNCIL OR XCSS. RATHER THAN MNCS AS PROBLEM PER SE, SWISS ARE MUCH MORE INTERESTED IN SUCH ISSUES AS INTERNATIONAL TAXATION, POSSIBLE RESTRICTIVE BUSINESS PRACTICES, HARMONIZATION OF DOMESTIC POLICIES, AND SHORT-TERM CAPITAL FLOWS. HOWEVER, THEY RECOGNIZE THAT FOR LARGELY POLITICAL AND PSYCHOLOGICAL REASONS MNCS ARE CURRENTLY A CODE WORD EASILY CRITICIZED WITHOUT THE NECESSITY OF BEING VERY SPECIFIC. THEY THUS FEEL THAT XCSS EXPERTS MAY MAKE MODEST CONTRIBUTION OF DISPELLING SOME OF POPULAR MYTHOLOGY SURROUNDING "MCN PROBLEM." DAVIS

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E. RE INVESTMENT IN LDCS, AS NOTED OECD PARIS 10631, SWISS ARE ANXIOUS HAVE PRIOR DISCUSSION IN OECD OF UN "EMINENT PERSON" REPORT BEFORE IT IS CONSIDERED BY ECOSOC. SWISS HOPE THAT DEVELOPMENT ASPECTS OF REPORT WILL BE DISCUSSED AT JUNE DAC MEETING AND OTHER ASPECTS BY XCSS INVESTMENT EXPERTS AT NEXT MEETING. WITH REGARD POSSIBLE SET OF PRINCIPLES FOR FOREIGN INVESTMENT IN LDCS, SWISS WONDER IF DEVELOPING SUCH PRINCIPLES MIGHT NOT BE PREMATURE AND IN ANY EVENT BELIEVE SUCH PRINCIPLES SHOULD BE PREPARED JOINTLY WITH LDCS RATHER THAN PRE-NEGOTIATED WITHIN OECD. IN ANY EVENT, FURTHER CLARIFICATION OF ISSUES IS NECESSARY WHICH HOPEFULLY WILL MAKE LIMITED OFFICIAL USE

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SUCH ISSUES LESS POLITICAL, ALTHOUGH THEY DOUBT THAT UN REPORT WILL BE VERY HELPFUL IN THIS REGARD. SWISS ACKNOWLEDGE THAT OECD COULD PLAY USEFUL PREPARATORY ROLE IN DEVELOPING PRINCIPLES BUT BELIEVE THIS SHOULD BE DELAYED UNTIL LATER DATE.

F. SWISS WELCOMED REFTEL RESTATEMENT OF USG DETERMINATION MAINTAIN OPEN INVESTMENT SYSTEM IN US.

4. IN ADDITION TO ABOVE RESPONSES TO REFTEL QUERIES, SWISS WOULD LIKE TO SUGGEST THAT EFFORT BE MADE GIVE GREATER ATTENTION TO WHAT THEY TERM MACRO ASPECTS OF OECD INVESTMENT WORK, I.E., PARTICULARLY RELATIONSHIP BETWEEN INTERNATIONAL DIRECT INVESTMENT AND CAPITAL FLOWS TO MEMBER COUNTRIES BALANCE OF PAYMENTS. THEY BELIEVE THIS POINT IS PARTICULARLY TIMELY IN CONTEXT OF CURRENT QUESTION OF HOW TO RECYCLE FUNDS ACCRUING TO OIL PRODUCERS.

5. BASIC RATIONALE FOR CAUTIOUS SWISS APPROACH TO HANDLING INVESTMENT ISSUES AT MINISTERIAL IS HOPE THAT CONFRONTATION CAN BE AVOIDED WITH THOSE COUNTRIES (FRANCE, ITALY, EC COMMISSION) WHICH AT EXPERTS LEVEL HAVE BEEN PASSIVE OR RELUCTANT.

6. IN CONCLUSION, SWISS FEEL IT WOULD BE PREMATURE AT UPCOMING MINISTERIAL SESSION TO PUSH INVESTMENT ISSUES TO POINT OF FORCING DECISIONS. RATHER THEY WOULD PREFER SEE XCSS AND EXPERTS CONTINUE CURRENT MEASURED PACE OF WORK. THEY NOTE THAT NO COUNTRIES ARE CERTAIN OF ANSWERS TO ALL QUESTIONS IN THIS COMPLEX AREA. AS EXAMPLE OF ONE HARD QUESTION WHICH SWISS WOULD PREFER NOT TO TRY TO ANSWER AT THIS MOMENT, THEY MENTION THE FOLLOWING: SHOULD PRINCIPLE OF NATIONAL TREATMENT BE APPLIED ONLY TO OECD COUNTRIES OR ON MFN BASIS?
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